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ABSTRACT

This module is one of a set of seven prepared in conjunction with the title I "Project to Train Volunteer Leaders to Conduct Consumer Education Courses." It is designed to be a basic text for use in making a one-hour presentation on how to buy goods and services. An accompanying slide set is keyed to the text of the module. (An illustration of each slide is provided.) Topics in the module include the fundamentals of economics which affect consumers in the marketplace; the role of the government in the operation of our economic system; and general consumer guidelines for buying food, cars and car services, television and related repair services, retail goods, mail order goods, real estate, contractual services, credit, furniture, and rental or leased housing. A multiple-choice/true-false quiz (with answers), discussion questions, and a bibliography are appended. (CT)

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ED201893

HOW TO BUY GOODS AND SERVICES

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U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
NATIONAL INSTITUTE OF EDUCATION

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CONSUMER EDUCATION PROJECT
Project to Train Volunteer Leaders to Conduct
Consumer Education Courses
Title I, Higher Education Act of 1965
Grantee Institution: Northern Virginia Community College
1978

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Consumer Education Project

This module is one of a set of seven prepared in conjunction with the Title I "Project to Train Volunteer Leaders to Conduct Consumer Education Courses." It is designed to be a basic text for use in making a one-hour presentation. Through use of the attached bibliography, a more in-depth knowledge can be acquired and the presentation expanded. For shorter presentations, portions of it can be extracted. A slide set accompanies each module and is keyed to the text of the module. For a guide to presentation skills, the reader is referred to the module entitled Leadership and Teaching Skills.

Volunteers throughout the Northern Virginia area have been trained to give presentations on the following six consumer-related topics for which modules have been developed:

Rights and Responsibilities in the Marketplace
How to Buy Goods and Services
Personal Money Management
Legal Aspects of the Marketplace
Credit
Sources of Consumer Assistance

The services of these volunteers are available to citizen groups, schools, and organizations through the state and local consumer affairs offices listed in the paragraph below. The purpose of this program is to increase consumer awareness and raise the level of individual consumer competency among our citizens.

The grant establishing this project was awarded to Northern Virginia Community College by the State Agency for Title I under the Higher Education Act of 1965. The program, however, is a cooperative effort involving the Consortium for Continuing Higher Education in Northern Virginia, George Mason University, the University of Virginia, Virginia Polytechnic Institute and State University, as well as the Virginia Office of Consumer Affairs, the Alexandria Office of Consumer Affairs, the Arlington County Office of Consumer Affairs, the Fairfax County Department of Consumer Affairs, and the Prince William County Office of Consumer Affairs.

For additional information, call or write:

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HOW TO BUY GOODS AND SERVICES

VOLUNTEER LEADER'S GUIDE

HOW TO BUY GOODS AND SERVICES

Introduction

This guide is intended to provide a framework around which you can build your presentation. While it is complete enough for you to read verbatim and make a passable talk on how to buy goods and services, your presentation will be much more interesting if you add to it from your own background and research. A selected bibliography is provided for you to use in researching your subject and expanding this guide. You should keep abreast of improvements in procedures for buying goods and services and incorporate them in your presentation when you can.

Pre-presentation Arrangements

Check the facility in which your presentation is to be made to insure that:

1. Seating is adequate and as comfortable as possible.
2. All audio-visual equipment and materials are present and in proper working order.
3. You know where the switches for lights and electrical outlets are, and how they work.
4. Lighting and projection equipment operate properly.
5. Handout materials are available in sufficient quantities for the prospective audience.
6. Others involved in the presentation, either as technicians or guest speakers, know how they fit into the presentation schedule.

Presentation Outline

I. TITLE: How to Buy Goods and Services.

II. OBJECTIVES: Upon completion of this presentation, participants will be able to:

A. Outline the fundamentals of economics which affect consumers in the marketplace.

B. Discuss the role of the United States government in the operation of our economic system.

C. State some general guidelines for consumers in the marketplace.

D. Give some guidelines for buying:

1. Food
2. Automobiles and automotive services
3. Televisions and television repair services
4. Goods from retail stores
5. Goods from mail order houses
6. Real estate
7. Contractual services
8. Credit
9. Furniture
10. Renting or leasing housing

III. LENGTH: 1 hour (This time may be increased or decreased according to the needs of the audience, your ability as an instructor, and the time available.)

IV. AUDIO-VISUAL AIDS:

A. Slide set "How to Buy Goods and Services" consisting of 40 slides.

B. Thirty-five millimeter Carousel projector.

C. Chalkboard, chalk and eraser.

V. TEACHING PROCEDURE:

Note: In the following material, instructions for the instructor will be single spaced and the text of the presentation will be double spaced.

Special Instructions	Instructor Reference
Write your name on the chalkboard.	A. Introduction

Turn on slide projector
Show slide HGS-1
Project Slide

HOW TO BUY GOODS AND SERVICES

Consumer Education Project

PROJECT TO TRAIN VOLUNTEER LEADERS TO CONDUCT CONSUMER EDUCATION COURSES--TITLE I, HIGHER EDUCATION ACT OF 1965

Grantee Institution--Northern Virginia Community College

HGS-1

1. Introduce yourself and give the title of your presentation. If the format of your presentation is to be a discussion and the audience is small enough, you may want to conduct self-introductions. If you do, you should ask each participant to give his name and a little information about his background.

Show slide HGS-2
How to Buy Goods and Services

HOW TO BUY GOODS AND SERVICES

* Marketplace economics
* Government's role in economics
* Consumer guidelines

HGS-2

2. Briefly outline your qualifications to discuss this particular subject.

3. Explain the importance of knowing how to buy goods and services for consumers in general, and for the group you are addressing in particular.

Show slide HGS-3
Specific Objectives

SPECIFIC OBJECTIVES

Upon completion of this program you will be able to:

* Outline the fundamentals of economics which affect consumers in the marketplace.
* Describe the role of the United States government in the operation of our economic system.
* State some general guidelines for consumers in the marketplace.

HGS-3

Show slide HGS-4
Specific Objectives
(Continued)

SPECIFIC OBJECTIVES (Continued)

Give some guidelines for buying:

* Food
* Furniture
* Real Estate
* Credit
* Contractual Services
* Automobiles and Automotive Services
* Goods from Retail Stores
* Goods from Mail Order Houses
* TVs and TV Repair Services
* Housing (renting and leasing)

HGS-4

4. State the specific objectives of your presentation in terms of what the participant will be able to do upon its completion.

5. Explain any evaluation procedure you plan to use to measure accomplishment of these objectives. The procedure you use should be nonthreatening to the participants and designed to measure your effectiveness as a presenter rather than their proficiency as learners. If you wish to use a quiz to summarize your presentation, a sample is provided at the end of the module.

6. Set the tone for your presentation.

a. Encourage questions and discussion.

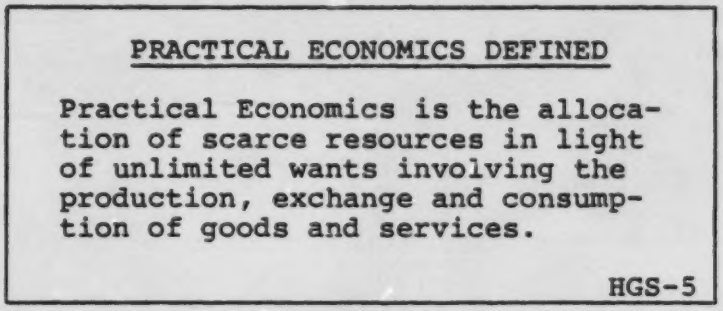
b. Explain the availability of handouts and how they will be distributed.

c. Tell whether or not notetaking is desirable.

B. Presentation

1. Although the discipline of economics is rather complicated and is understood by relatively few people, the practical economics of the marketplace should be understood by everyone who is a consumer.

Show slide HGS-5 Practical Economics Defined

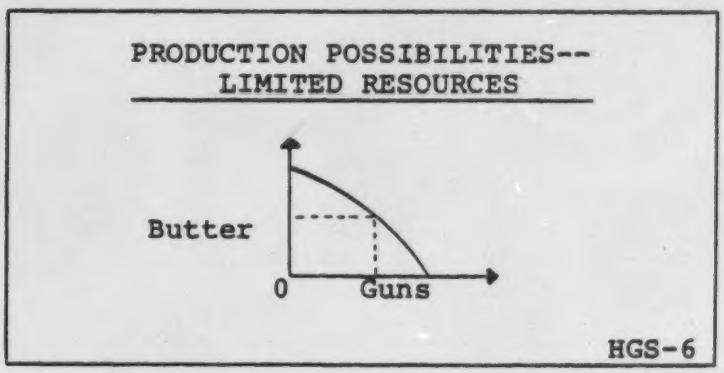

PRACTICAL ECONOMICS DEFINED
Practical Economics is the allocation of scarce resources in light of unlimited wants involving the production, exchange and consumption of goods and services.
HGS-5

a. Historically, the economic system in the United States has been considered a competitive system. Theoretically, there is unconstrained movement of all resources; producers and consumers are knowledgeable; and individuals have the ability to make decisions in line with established goals. The consumer is an important factor in decisions on how resources

will be used and what resources will be used. And in order to obtain satisfaction, he must know and recognize the quality and quantity of products in the marketplace.

b. Resouces for the production of goods and services are limited while the needs and wants of consumers are infinite. The key is scarce or limited resources versus unlimited wants. The economic system works to allocate limited resources in such a way as to obtain the greatest possible amount of satisfaction to purchasers of economic goods and services.

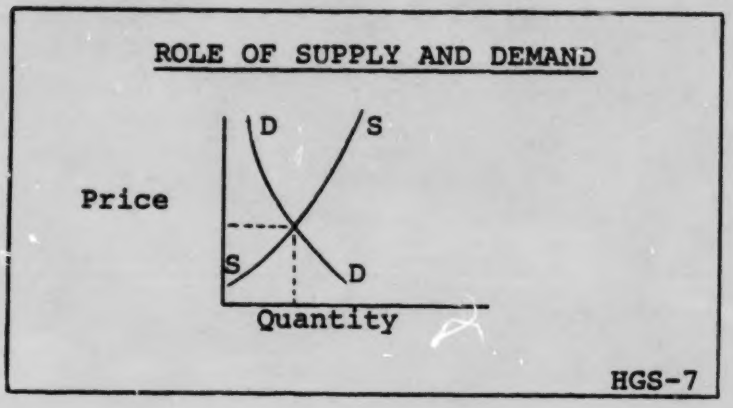
Show slide HGS-6
Production Possibilities - Limited resources



c. The production possibilities curve illustrates maximum production of two goods using a fixed or limited amount of resources. Our economic system will determine the equilibrium point between the two goods. When

society does not want maximum production of one or the other goods, there is inefficiency in the system, that is, resources are not being used in the "best" way. Resources can either be unemployed or underemployed in this situation.

Show slide HGS-7
Role of Supply and Demand



d. Supply and demand work together in establishing prices. The prices can be for consumer goods and services, or prices for inputs or resources used in the production of goods and services. Of course there are many different markets and each market has its own supply/demand ratio. The important point to remember is that price changes occur when there is a change in either supply and/or demand. Also, the term market denotes a price or the formulation of a price.

Show slide HGS-8
Factors that
Affect Demand

FACTORS THAT AFFECT THE DEMAND FOR CONSUMER GOODS AND SERVICES

* Price of the goods or services to be purchased
* Price of other related goods or services
* Consumer income
* Consumer expectations
* Consumer tastes, preferences and habits
* Changes in population

HGS-8

e. Consumers will change their purchases (amount demanded) for a number of reasons.

1) If the price of a product is too high in the eyes of the consumer he will purchase less. Or, if there is a similar product which is cheaper, he may purchase less of the original and more of the similar good.

2) If two products are perceived to go together and there is a decrease in the price of one, the consumer will purchase more of both. A good example is the relationship between eggs and bacon. If the price of bacon goes down, the consumer will purchase more bacon. Since eggs are commonly

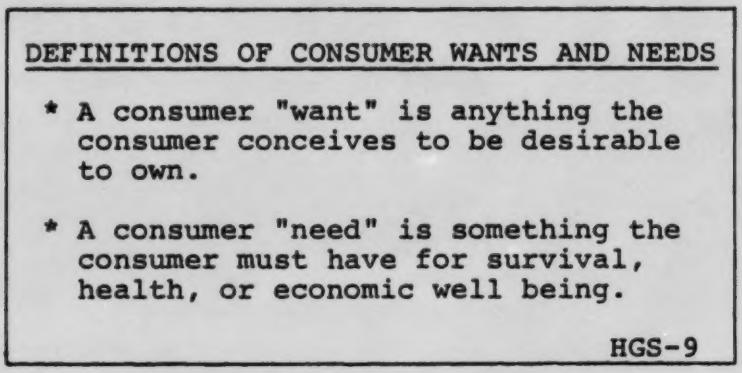
consumed with bacon, the consumer will also purchase more eggs.

3) If consumer income increases, demand for most products will increase.

4) When consumers anticipate additional income, or a sharp rise in price, the demand for most products will increase.

5) Consumer tastes also affect demand. An example is the recent high demand for a certain brand of blue denium pants for girls and boys which drove the price from five dollars per pair to twenty dollars per pair.

Show slide HGS-9
Definitions of Consumer Wants and Needs


DEFINITIONS OF CONSUMER WANTS AND NEEDS
* A consumer "want" is anything the consumer conceives to be desirable to own.
* A consumer "need" is something the consumer must have for survival, health, or economic well being.
HGS-9

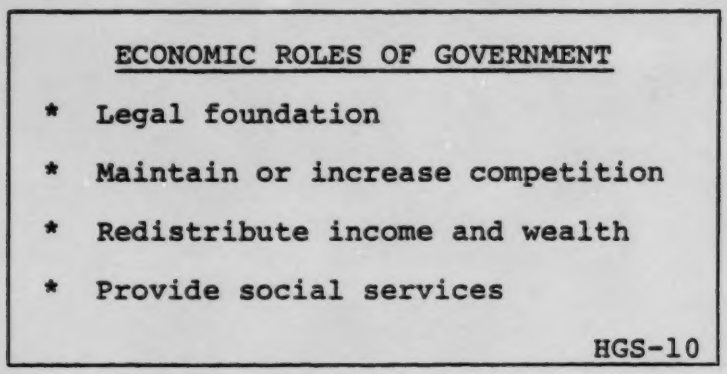
f. Consumers have unlimited wants and when current wants are satisfied others will tend to take their place. Occasionally a want becomes a need. For example: Every American child wants a car, but may or may not need one. Later,

when he has a job and has to get to and from work, a car becomes an economic need. When he gets the car, he may want a better car. Some examples of needs are food, clothing, shelter, medical care and recreation.

g. In addition to the demand for goods and services by consumers in the United States, federal, state, and local governments, and people in other parts of the world purchase goods and services from U. S. producers. This places additional pressure (demand) on the supply of U. S. goods and services.

2. The general economic role of government in a free economic system is to strengthen and/or modify the operation of the price system.

Show slide HGS-10 Economic Roles of Government

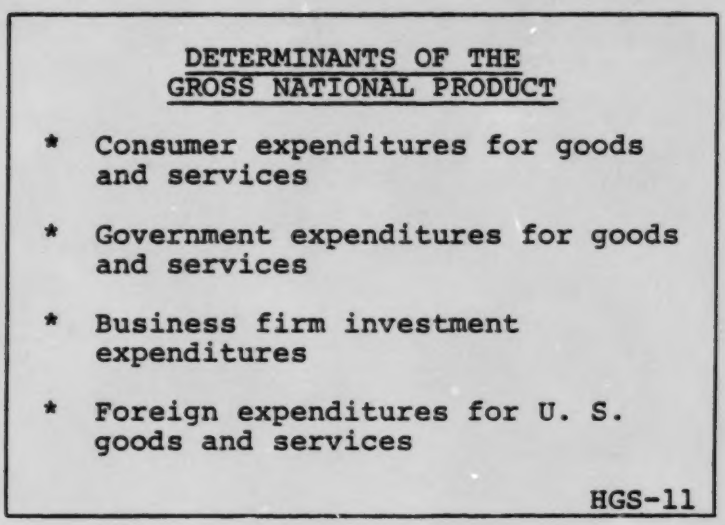


a. In the United States the government provides the legal framework within which the economy operates. Some

of its functions are to maintain or increase competition and redistribute income and wealth. Other functions include the maintenance of economic stability and provision of social services such as national security and defense, health care, education, and welfare.

b. Several economic indicators are used to measure how well the economy, with the assistance of the government, is doing its job. A few of these are level of the gross national product, inflation, unemployment, and the balance of payments.

Show slide HGS-11
Determinants of the
Gross National Product


DETERMINANTS OF THE
GROSS NATIONAL PRODUCT
* Consumer expenditures for goods and services
* Government expenditures for goods and services
* Business firm investment expenditures
* Foreign expenditures for U. S. goods and services
HGS-11

1) The gross national product (GNP) is the total market value of all final goods and services produced in the economy in a given twelve month period. The GNP is calculated by adding the amounts paid by all consumers, both

foreign and domestic, for goods and services produced in the United States. Since the amounts paid reflect all aspects of the economy including inflation and unemployment, the final is an accurate indicator of productivity. However, inflation and unemployment are important negative factors and should be considered separately to insure understanding.

Show slide HGS-12
Inflation Defined

INFLATION DEFINED

Inflation is the drop in purchasing power of the nation's currency as compared to its purchasing power during a selected base period. It is usually expressed as a rate or a percentage.

HGS-12

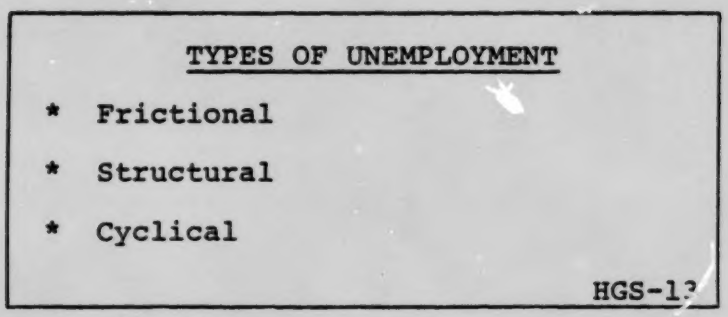
2) Inflation occurs when there is a general rise in the level of prices paid for goods and services resulting in a decrease in the purchasing power of money. The rate of inflation in the U. S. is measured by the Consumer Price Index.

a) For the past few years the inflation rate has been high enough to make inflation perhaps the largest "taxer," particularly for those least able to pay. The groups most

seriously affected by inflation are consumers on fixed incomes such as retirees, public employees and welfare recipients; creditors who loan money or furnish goods at one dollar value and get their money back at a lower value; and people who save and deposit their money at fixed interest rates which are below the rate of inflation.

b) Relatively high rates of inflation also have psychological effects on people. At the present time, the prolonged high rates of inflation and the belief on the part of many people that the present rate will increase is beginning to reduce consumer confidence in the economy and to reduce consumer expenditures for the purchase of certain goods and services.

Show slide HGS-13
Types of Unemployment

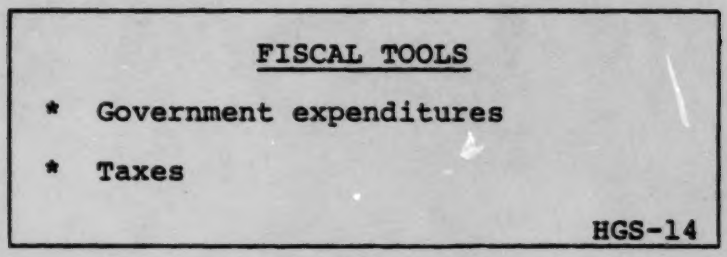


3) Unemployment simply means that a person who seeks work cannot find employment. High unemployment reflects inefficient use of resources.

There are several categories of unemployment: frictional--that unemployment which is normal in our society and is caused by people changing jobs or by layoffs in industries affected by weather or other natural phenomena; structural--that unemployment which results from changes in consumer demand, and changes in technology rendering the skills and experience of some part of the labor force obsolete; and cyclical--that unemployment which results from changes in the economic condition of the country. Unemployment affects the gross national product because the country does not produce to its full potential. Unemployment also aggravates social ills such as loss of self-respect, low morale and the breakup of family units. Therefore, unemployment reduces the production potential of the country and creates psychological and social ills.

c. The government performs its function in the economy through the use of two general categories of tools--fiscal and monetary.

Show slide HGS-14
Fiscal Tools



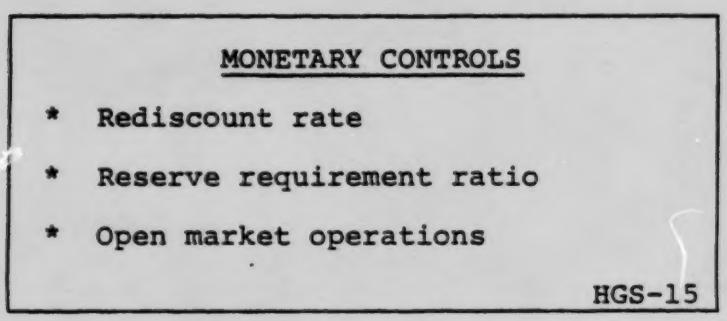
1) Fiscal tools include government expenditures and taxes.

a) Basically, government expenditures provide money to employ people directly or indirectly. Persons directly employed include military personnel, civil service employees and persons employed in government programs. Persons indirectly employed through government expenditures include those who work for organizations which contract with the government to provide goods and services. An increase in such expenditures increases the money supply, decreases unemployment, and increases demand for goods and services. Government expenditures, especially if they are deficit spending, tend to increase inflation. The important thing to remember is that government expenditures compete with consumer expenditures for goods and services produced with limited

resources. The government uses its expenditures to make changes in the economy.

b) Increases or decreases in taxes are also used by the government to change the economy. Increased taxes decrease the amount of money consumers and businesses have to spend, invest or save. The reverse releases more money for these purposes and can boost the economy. Taxes can also affect different segments of the consuming public. Progressive taxes increase with income like the federal income tax, while regressive taxes, such as property and sales taxes, which tend to be the same for everyone, take a larger proportional share of the income of low and fixed income segments of the population.

Show slide HGS-15
Monetary Controls



2) Monetary policy tools operate through the rediscount rate,

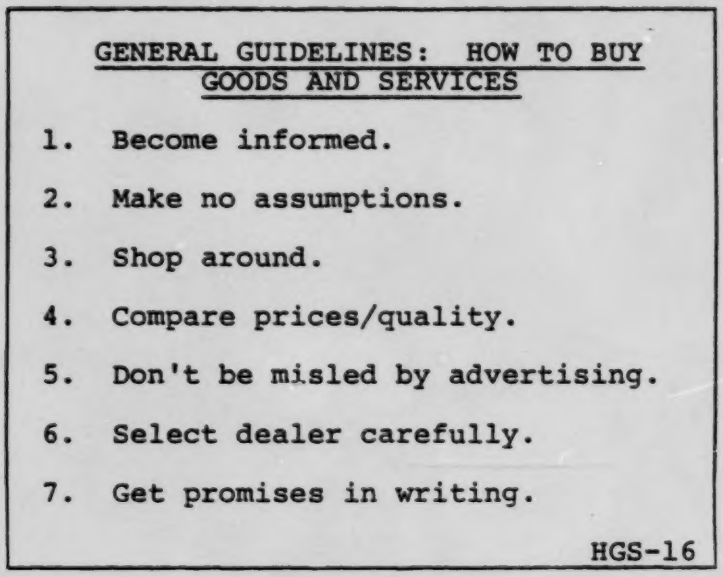
the reserve requirement ratio, and open money market operations.

a) The rediscount rate is the rate at which banks can borrow money from the Federal Reserve banks.

b) The reserve requirement ratio is the ratio between the deposits held by a bank and the amount of money the bank is required to hold in reserve to repay deposits.

c) Open market operations are the activities involved in the buying and selling of government securities.

Show slide HGS-16
General Guidelines: How to Buy Goods and Services


GENERAL GUIDELINES: HOW TO BUY GOODS AND SERVICES
1. Become informed.
2. Make no assumptions.
3. Shop around.
4. Compare prices/quality.
5. Don't be misled by advertising.
6. Select dealer carefully.
7. Get promises in writing.
HGS-16

3. There are certain general guidelines for buying goods and services in the marketplace. Regardless of the

commodities or services purchased, the consumer should be aware of and follow these guidelines.

a. Become informed about the item you intend to buy. Is it needed? What satisfaction will it give? What must be given up or foregone in order to buy it? Make no assumptions concerning the integrity of a manufacturer or dealer.

b. Shop around for the best item, the best service, and the best terms.

c. Compare the price and the quality of competitive brands.

d. Read advertising and advertising claims carefully. Do not be misled.

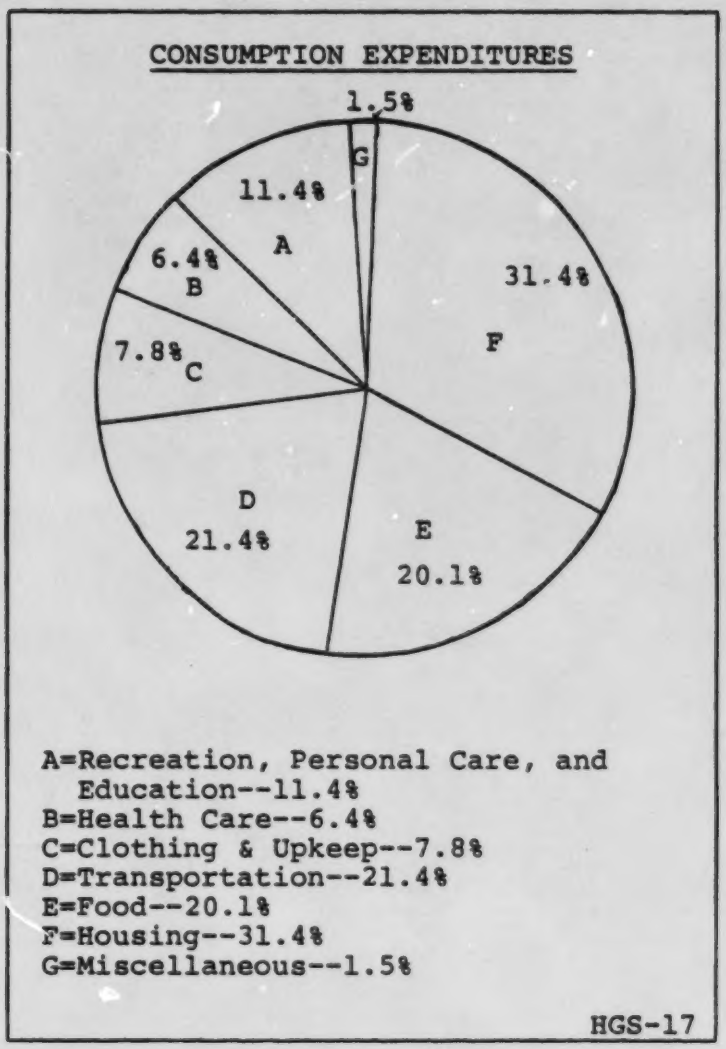
e. Select the dealer you buy from on the basis of reputation and stability.

f. If promises are a factor in selecting a brand or dealer, be sure to get them in writing.

4. In addition to these general precautions there are specific guidelines which should be observed in purchasing specific commodities or services.

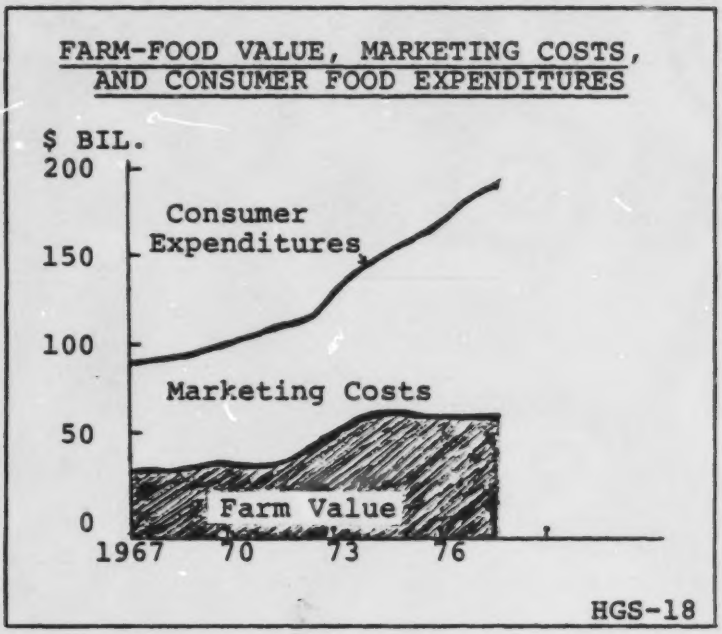
a. Food is a major item of expenditure for all consumers and an understanding of rational procedures for buying food is essential.

Show slide HGS-17
Consumption Expenditures



1) Consumers spend about 16 to 20 percent of their income on food. Therefore, food constitutes a relatively large expenditure for them.

Show slide HGS-18
Farm-Food Value,
Marketing Costs, and
Consumer Food Expenditures

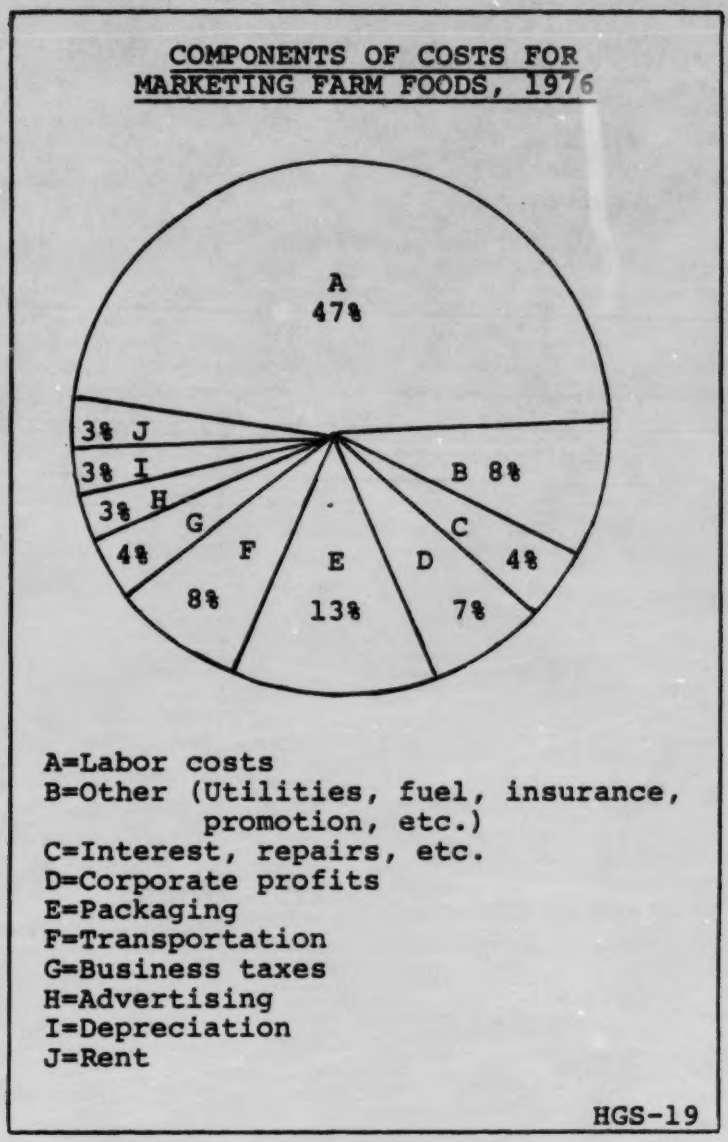


2) While farmers produce the food consumed, they get a relatively small part of the money spent for food by consumers. The farming industry is almost purely competitive, and the laws of supply and demand do work in many cases. The food marketing industry on the other hand, has some control over the price of its products. This control basically occurs in two ways.

a) The product being sold is somewhat different than competing products. There is a difference in product quality.

b) The product being sold is perceived by the consumer to be different because of advertising or other factors.

Show slide HGS-19
Conponents of Costs for Marketing Farm Foods, 1976



3) Labor, transportation, and packaging within the farm food marketing industry are the major items which affect food costs in the store. The farmer's portion of the food dollar is relatively small, and fairly constant, but the farmer's costs are increasing and his margin of profit is low or non-existant. While the food processor passes

on costs, the farmer takes what he can get for his product and absorbs the difference.

Show slide HGS-20
Percentage of Income
Spent for Food

PERCENTAGE OF INCOME SPENT FOR FOOD

Income	1972	1973
Under $3000	40%	50%
$3000-3999	30	30
$4000-4999	25	26
$5000-5999	23	24
$6000-6999	20	20
$7000-7999	19	20
$8000-9999	17	18
$10000-11999	16	17
$12000-14999	15	15
$15000-19999	13	14
$20000-24999	12	13
$25000 and over	8	9
All families	15	16

*NOTE: Slide is in the form of line graph.

HGS-20

4) As consumer income goes up, the percentage of total income spent for food comes down. Thus, higher food prices most affect those least able to pay.

5) Advertising is a major factor in the marketing of food items as well as other products. There are two general classifications in advertising. Informative advertising and competitive advertising.

a) Informative advertising is designed to tell consumers

about the purpose and content of a given product. It can be a valuable consumer aid in introducing new products and informing consumers about them.

b) Competitive advertising is aimed at creating consumer loyalty. It usually makes comparative claims regarding quality, effectiveness, or some other intangible.

Show slide HGS-21
How to Buy Food

HOW TO BUY FOOD

* Food laws
* Unit pricing
* Food frauds
* Shopping tips

HGS-21

6) Prudent consumers can ease the burden of buying food if they are informed and observe a few simple rules.

Show slide HGS-22
How to Buy Food -
Food Laws

HOW TO BUY FOOD

* FOOD LAWS
* Unit pricing
* Food frauds
* Shopping tips

HGS-22

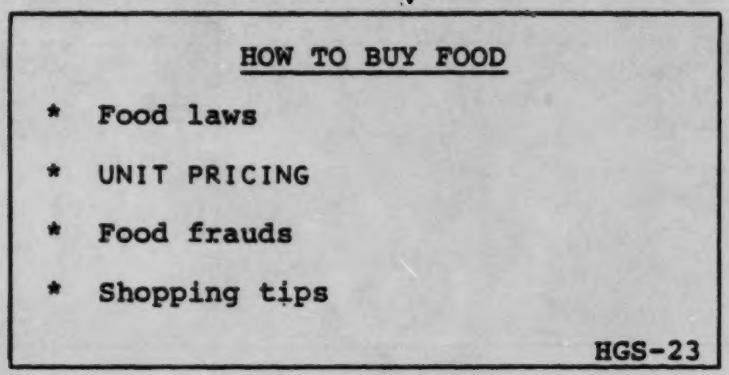
a) There are a number of food laws with which the consumer should be familiar.

(1) Open dating is required on dairy products and usually appears as a calendar date--"Do not sell after (date) ." While it is not unlawful to sell such products after that date, a storekeeper will usually remove the item from the shelf. If not, call it to his attention. However, it is always unlawful to knowingly sell spoiled foods.

(2) It is against the law in Virginia to sell outdated infant formula. The law requires that the expiration date for the product be clearly visible to the purchaser.

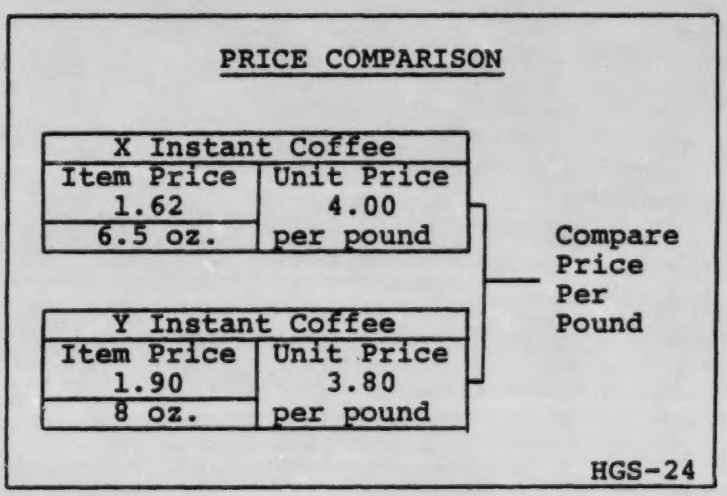
(3) The fat content of ground meat is also regulated by Virginia law. Ground meat sold in Virginia may not contain more than 30% fat. If qualifying terms are used, such as lean, extra lean, etc., the fat content of the meat in a particular category must appear on a placard or on the package label.

Show slide HGS-23
How to Buy Food - Unit Pricing



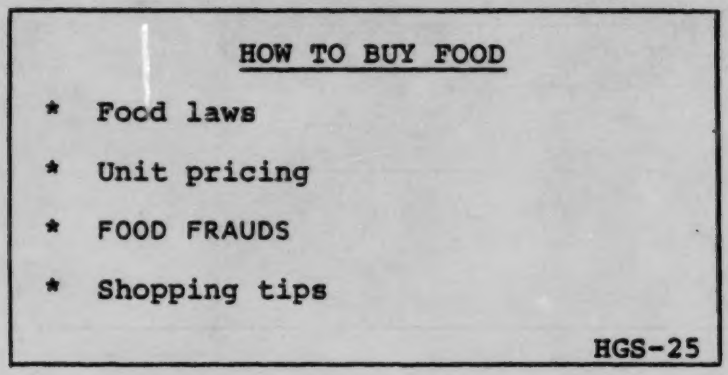
b) Unit pricing is another valuable aid. While it is not required by Virginia law, it is used by many major grocery stores. Because of the variety of sizes and shapes of packages, it is difficult to determine the comparative cost of food items without it.

Show slide HGS-24
Price Comparison



In unit pricing, labels are placed below items displayed showing the cost of some common unit of measure. Consumers can easily compare prices without mathematical calculation.

Show slide HGS-25
How to Buy Food -
Food Frauds



c) Food frauds may occur in any retail good or meat outlet. Consumers cannot assume that any such store will not resort to some form of fraud to get them to buy its merchandise.

(1) The bait and switch is a common form of food fraud. The bait occurs where the consumer is lured to the store by highly advertised low prices for a particular food product. When he arrives at the store, the consumer often finds that the advertised item is of inferior quality. The salesman then attempts to sell him or her a "better" product at a much higher price. This is the switch part of the operation.

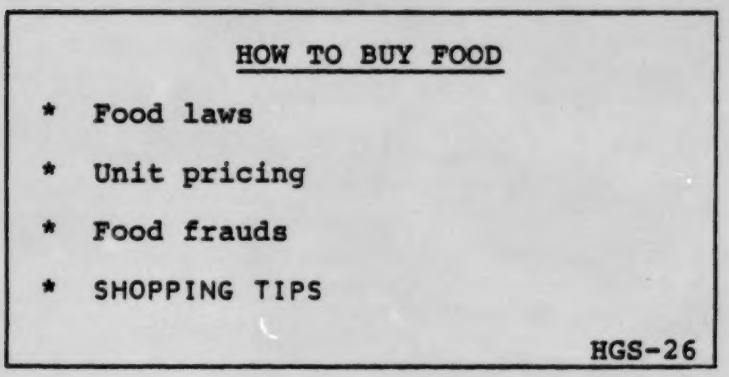
(2) Deception as to quantity is a frequent fraud in bulk food purchases. Consumers should witness the weighing or measuring operation

in such purchases to insure that they are getting what they are paying for. This is particularly true with regard to bulk meat purchases. It is difficult for the uninformed consumer to know how many cuts of meat to expect from a side of beef, or how many of each cut there are in a side of a given weight. Bulk meat is sold at hanging, uncut weight and will be reduced by approximately 25% by cutting and trimming. The true cost per pound is the cut and trimmed weight of the meat received into the total cost. All meat purchased should be U. S. Department of Agriculture inspected for wholesomeness. Check for this inspection stamp before buying.

(3) Another bulk food marketing practice with potential for fraud is the freezer food plan. Freezer food operators may promise to keep the consumer's freezer filled with high quality food at low prices. The cost of the service also includes the price of a freezer and a membership fee. Quantities, quality, delivery schedules and price comparisons are

sometimes misrepresented and sometimes old freezers are sold as new. In many instances, food freezer transactions will be covered under the Virginia Home Solicitation Sales Act and can be cancelled. If a consumer encounters deceptive practices in bulk purchases, he or she should contact the local office of consumer affairs, the Virginia Office of Consumer Affairs, or the Weights and Measurements Section of the Virginia Department of Agriculture and Consumer Services.

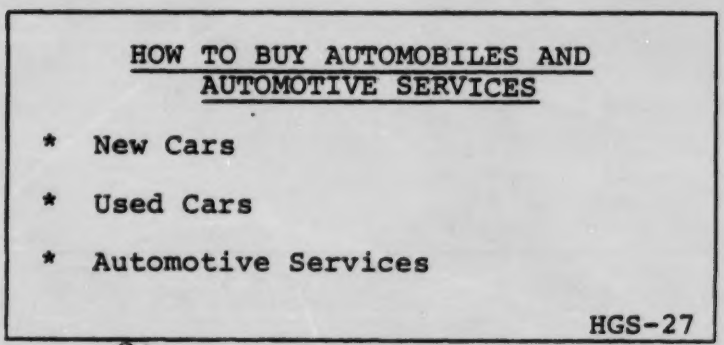
Show slide HGS-26
How to Buy Food -
Shopping Tips



d) Many problems in food shopping can be avoided by good shopping habits. Consumers should compare prices before they shop to insure getting the best buys. Advertisements should be checked to locate good buys and keep abreast of price trends. Shopping trips should be planned by making

a shopping list to minimize impulse buying, insure that needed items are purchased, and that only the amount budgeted for food is spent. While shopping, the consumer should make it a practice to read the labels in order to learn the content, quality and net weight of package contents. Every item purchased should be inspected for damage or defects in packaging and damaged items returned to the shelf, or reported to the store manager. If a contract is involved or a credit arrangement is necessary to make a bulk purchase of food, the consumer should check with the Better Business Bureau or local office of consumer affairs to determine the food dealer's reputation before signing the contract. Any credit arrangement should meet the requirements of the Truth in Lending Law regarding disclosure of the annual percentage rate, payment schedules, etc.

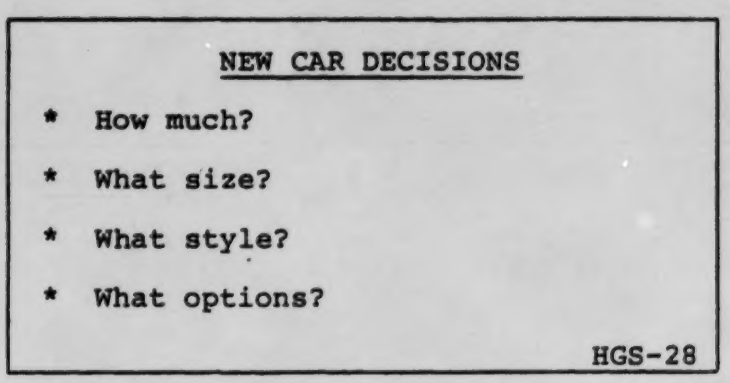
Show slide HGS-27
How to Buy Automobiles and Automotive Services



b. Transportation in the form of private automobiles is another common purchase of American consumers. With few exceptions, public transportation is inadequate for commuting to and from work and shopping centers, so an automobile is a necessity. By following rational procedures in the purchase of new and used cars and the services they require, consumers can avoid some of the problems commonly encountered.

1) New cars can be purchased from dealers or from auto buying discount services. Although service for cars purchased through a buying service is usually less satisfactory than that for cars obtained through regular dealers, getting a price quotation from a discount service is a good first step in buying a new car.

Show slide HGS-28
New Car Decisions



a) Before talking to any dealer the consumer should make several decisions about the car he intends to buy:

(1) How much can he afford to spend for a car?

(2) What size car does he need?

(3) What body style best suits his intended use of the car?

(4) What options does he consider necessary?

b) Car purchases should be planned well in advance to allow one or two months for delivery if the car with the desired options is not in stock. Many cars in a dealer's stock for immediate delivery are "loaded."

c) When shopping for a car, the consumer should ask the dealer for the list price of the car without options, the list price of the basic car plus options. To make sure he gets list prices, the consumer should check the list prices for the same items on the stickers of the cars in stock. The dealer's cost can then

be calculated by taking 77% of the total cost figure for full-sized cars, 81% for intermediate cars, and 85% for compacts and subcompacts. Once the consumer knows the dealer's cost, he can add in the freight costs and a reasonable profit and determine the price he should pay for the car. He will then have a basis for bargaining.

d) The depreciation on a new car is very high so the best way to get the most out of a car is to drive it until repair costs become excessively high. If a consumer decides to trade his old car in on a new one, his best source of information about the current price of similar cars is used car dealer's ads. Once he knows the going price, he can subtract the cost of any major repairs his car may need and arrive at the fair trade-in value for his car. The consumer can then take the price he has determined to be fair for the car he wants, subtract the trade-in value, and arrive at the amount of difference he should pay regardless of the dealer's price and trade-in allowance.

e) The prudent consumer will buy his new car at the best price he can get from a dealer with a good reputation for service. Since he is dependent on the dealer for all warranty service on his car during the first few months he owns it, he should not sacrifice all he has saved on price to pay for service. He can learn about the dealer's service department by visiting it in the morning when previous new car buyers are bringing their cars in for service. A few discrete questions can provide a fairly accurate estimate of service department proficiency.

f) The car buyer should be sure to get copies of all papers signed by the dealer, particularly the contract and warranty agreement.

(1) He should read the contract and add or delete terms as necessary before signing. Things to watch out for include: claims permitting the dealer to pass on to the consumer price rises that may occur before delivery, and trade-in reappraisal clauses, etc.

(2) Most new car warranties are for twelve months or 12,000 miles whichever occurs first. The consumer should familiarize himself with the items covered by the warranty to avoid surprises after he has bought the car. If he cannot get satisfactory warranty service, the consumer should talk to the service manager, then, if necessary, escalate to the owner or general manager and finally to the zone service manager for the manufacturer.

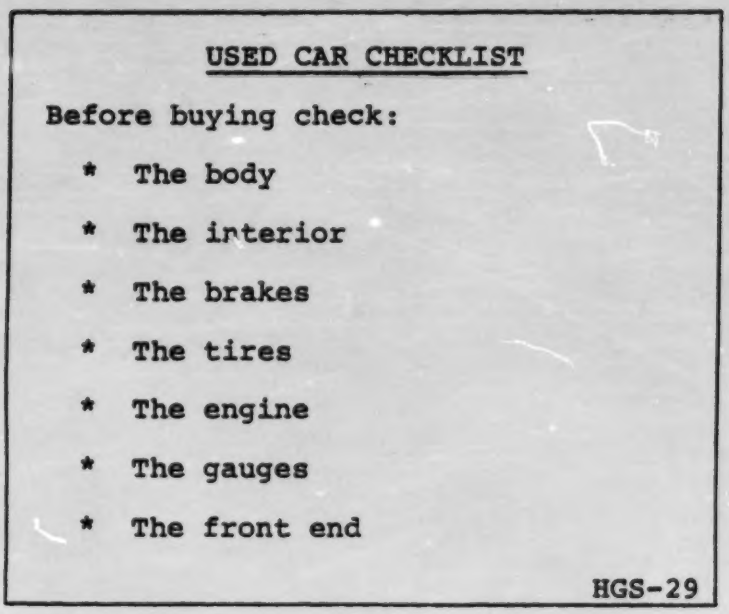
2) Used cars are a risky purchase for the uninformed consumer. In general, the best buys are recent models of cars in the appropriate size and body style for the intended use.

a) The best source of used cars is usually a new car dealer. He has a vested interest in maintaining his reputation and has a service shop.

b) Used car warranties cover the car for relatively short periods and in most cases the cost of repairs is shared by the seller and the buyer. If the car is new enough to be under manufacturer's warranty, the warranty must be transferred to the buyer by

an authorized dealer. No one else can do so. Many times, used cars are sold "as is" which means there is no warranty given. The consumer should try to negotiate a 50-50 parts and labor warranty or a 30-day full warranty when buying any used car.

Show slide HGS-29
Used Car Checklist

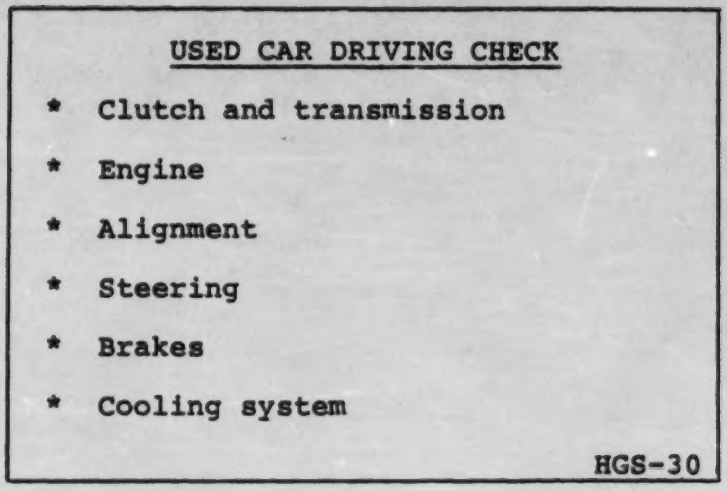


c) To assure himself that he is buying a sound, reliable car, the consumer should make the following tests which may disclose some of the more serious faults:

(1) While the car is on the lot, check the body for highlights and reflections. Ripples, bumps, grainy surfaces and mismatched colors indicate possible sheet metal repairs.

Look for rusted out spots and surface blisters, pitting or peeling paint. These may indicate rusting under the paint. Operate all windows, door locks and seat adjustments. Check the doors for easy solid closure. Examine the car's interior for hard use and abuse and stained upholstery that may indicate leaks. Check all tires including the spare for uneven wear. Check the brakes for leakage by holding steady pressure on the brake pedal. If the pedal sinks even gradually, there is a leak in the braking system and it must be repaired. Start the engine and listen for loud or unusual noises. Check the gauges and warning lights for proper operation. Check the front end for free play by grasping the front wheel at the top and shaking it vigorously. Push down on each corner of the car so as to set it bouncing. If it continues to bounce the shock absorbers may need replacing.

Show slide HGS-30
Used Car Driving Check



(2) No used car should be purchased without a driving test. The test should include several starts from rest, both forward and backward, to check the clutch or automatic transmission. A slipping clutch will permit the engine to continue to turn fast when the clutch is fully engaged in high gear. Any jerking, grabbing, or clattering indicates clutch problems. An automatic transmission should take hold promptly in forward or reverse and should produce smooth, well-spaced shifts with no engine racing on easy accelerations. Accelerate briskly up to 55 miles per hour so that the engine labors. If the car picks up speed smoothly with no bucking, whining, or hesitation, the engine is probably in

good condition. The consumer should have someone else drive the car away from him on a straight, smooth road to check for crabbing which may indicate that the car has been in a severe accident, and for wobbly wheels. Steering should be tested for excessive free play and smooth operation throughout its range. With power-steering, there should be no squeaks, moans, buzzing or sudden increases in steering effort. Several stops from 45 miles per hour will serve to check the brakes. If they become spongy after several such stops or if the car swerves, if the brakes grab, or if there are scraping or grinding noises, the car may have brake problems that need repair. A cloud or puff of blue smoke when the car is accelerated after coasting down hill or coasting from fifty miles per hour to fifteen on a flat is an indication of a need for engine overhaul. The car should be driven long enough to determine whether or not it overheats in slow traffic or on long, slow, uphill pulls. It should also be driven over a really

rough road to check out rattles and squeaks, jerky kicking or uncertain steering, front-end looseness and bad shock absorbers.

(3) It may be worthwhile to take the car to a garage or auto diagnostic center for a final examination. A good mechanic can check out any faults discovered on previous tests, conduct his own tests and recommend whether or not the consumer should buy the car.

3) Automotive servicing can be both frustrating and expensive. Prudent consumers will take care to select a reliable repair shop and do everything they can to insure that they get the service they are paying for.

a) The consumer should learn enough about cars to at least describe the problem he is having. There is no crime in not knowing what is wrong with the car if the consumer can describe the symptoms accurately. Symptoms include sounds, smells, and how the car feels to drive. The duration of the problem is important, as are the conditions under which it occurs.

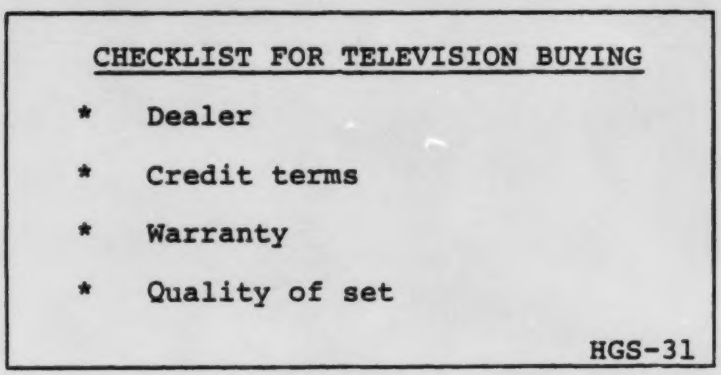
Most shops use a repair order to record the repairs the customer wants made. If it is properly filled out, it will cut the chances that the consumer will be charged for unauthorized repairs. For items the consumer wants checked he should enter the sentence, "Make no repairs without the customer's approval." On repairs that may be fairly expensive, the consumer should request an estimate of the cost of repairs. The customer may also request that any parts removed be kept for his inspection. If the consumer cannot get a copy of the work order or a written estimate, he should cross out all blank spaces on the work order to be sure no unauthorized work is done. The consumer should also get a copy of any warranty on parts and services or have the terms of the warranty written on the customer's copy of the work order.

b) Complaints concerning automobile repairs should be directed to the local or state office of consumer affairs or the Automotive Consumer Action Panel sponsored by the

Automotive Trade Association. The panel is composed of dealer and consumer representatives who review consumer complaints and make recommendations for action. Another alternative is invocation of the mechanic's lien law which enables the owner to gain or regain possession of his car when it is held under a mechanic's lien. If the consumer is dissatisfied with a repair, he can gain possession of his car by posting bond with the court for the amount of the repair.

c. Television purchase, maintenance and repair constitute another category in which the unwary consumer can be cheated.

Show slide HGS-31
Checklist for Television Buying



1) The first step in the purchase of a new television set, after deciding on the set wanted, is to select the dealer. A call to the Better Business Bureau, consumer affairs office or

conversations with neighbors and acquaintances who have recently purchased sets will serve to identify those dealers who have the best reputations for reliability. Before buying, the consumer should make the following inquiries:

a) What credit terms are available? If the consumer is buying his set on credit, he may be able to save money by shopping for the best terms.

b) What kind of warranty does the selected set carry? Coverage of warranties varies widely and comparison shopping may enable the consumer to receive better protection at no extra cost. Service contracts are extra cost items and consumers should avoid buying contracts that overlap the warranty coverage provided with the set.

2) Careful selection of the television set will insure the consumer of greater satisfaction with his purchase. He should consider the quality of the picture and the signal power of the set. If he lives in a

fringe area, he may be more concerned with how many distant stations he can receive than with best picture quality. Pulling power and picture quality are not mutually exclusive and by asking questions the consumer can find the optimum set for his particular situation. Sets should also be selected with an eye to serviceability. Parts for foreign-made televisions may be difficult to obtain and some television sets are not economically repairable, particularly those which cost under $100.

Show slide HGS-32
Checklist for TV Repair

CHECKLIST FOR TV REPAIR

* Select repairman
* Compare charges
* Obtain written work order
* Obtain list of parts replaced
* Complain if necessary

HGS-32

3) Many television repairs can be avoided by careful use and handling of the set. If the consumer is unfamiliar with the operating principles of television equipment, he should not attempt to fix his own. He should avoid

unnecessary operation of the controls, especially those with whose function he is unfamiliar. When repairs become necessary, the consumer should select a repairman with the following points in mind:

a) If possible, he should select a repairman with whom he is familiar.

b) If he does not know a repairman, a check with the Better Business Bureau or the local or state office of consumer affairs will provide information about the number of complaints received against a given repair shop.

c) The consumer should determine how long the shop has been in business and the length of experience and employment of the technicians employed. Those which have experienced technicians and have been in business for some time are usually reliable.

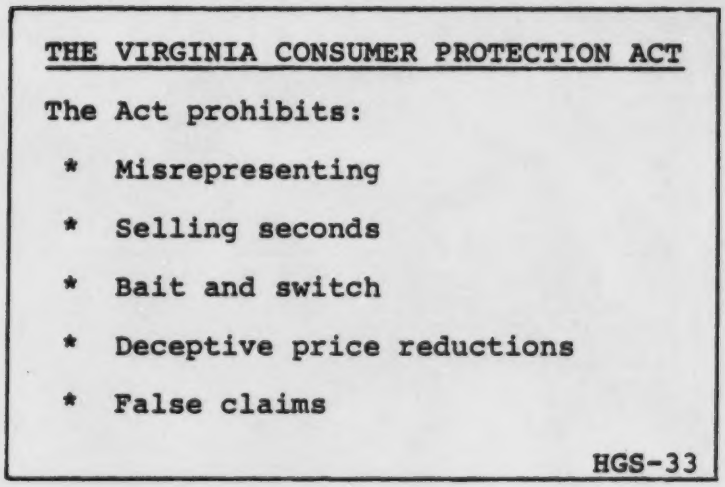
d) The consumer should compare the charges for bench work and house calls of several acceptable repair shops before making his final selection.

4) Before authorizing repairs, the prudent consumer will determine if the cost of the repair will exceed the value of the set, and will insure that only authorized repairs will be performed without specific permission. He should be on guard against deceptive practices often found in television repair, such as: overcharging, holding the set for an excessive length of time, unauthorized repairs, and repairs billed but not performed. The best protection against these practices is a written work order listing the authorized work, the completion date, estimated cost, and a written invoice and warranty itemizing parts replaced. In addition, a request for return of defective parts will help guard against deceptive practices, if the consumer can identify them as parts from his set.

5) If the consumer feels he has been unfairly treated by a television repairman, he should complain first to the repair shop manager, next to the manufacturer, if the set is still under warranty, and finally to the local or state office of consumer affairs.

d. Rational procedures can help the consumer protect himself when buying from retail stores. He should learn the laws designed to protect him in these transactions and see that they are enforced. He should become familiar with advertising terms and learn how to detect false or misleading advertising. He should be aware that retail stores may have policies which limit his options concerning merchandise he has purchased, warranties, and credit policies.

Show slide HGS-33
The Virginia Consumer Protection Act



1) The Virginia Consumer Protection Act of 1977 was designed to protect consumers against certain illegal practices in merchandising. According to the Act, misrepresenting any aspect of a product or service; selling of seconds

not clearly marked as such; bait and switch advertising; making false statements about price reductions or competitors prices; claiming repairs have been made when in fact they have not; and any other deception, fraud, false picture, false promise, or misrepresentation in connection with a consumer transaction are all against the law. Consumers who detect any of these practices should report the fact to the Virginia Office of Consumer Affairs or local consumer affairs office.

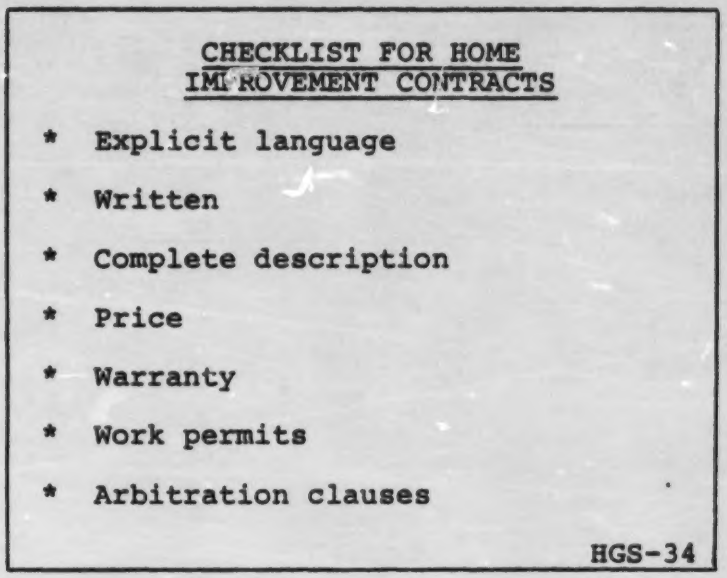
2) Careful reading of advertising can help consumers protect themselves against intentional or accidental false advertising. The prudent consumer will look for "ad qualifiers," that is, language limiting quantities available, stating that items are not as shown, etc. He will examine offers of free merchandise for conditions and provisions; and make sure that descriptive material, i.e., accompanying pictures, is in fact describing the item pictured and not some item of lower quality. He will assure himself that prices

advertised as sales prices are actually a reduction in the customary price of all items advertised, and that "going out of business sales" are legitimate sales, by comparison shopping, or by familiarizing himself with the usual prices for the items in which he is interested.

3) The prudent consumer will ask about store policies on returns, refunds, and warranties before buying. Many stores do not allow the return of certain kinds of merchandise. Store lay-away plans may not allow for refunds or may require the forfeit of a lay-away charge. Warranties may be full, limited or implied and retailers are obligated by federal law to honor any warranty given.

4) Violations of these obligations by retailers should be reported to the local or state consumer affairs office or other government or business-oriented consumer action programs.

Show slide HGS-34
Checklist for Home
Improvement Contracts



e. Contracting for home improvement services is a necessary activity for consumers. The effective consumer will be sure that any service contract he enters into contains clear and explicit language describing: what is to be done and where, how much is to be paid for the work, when payment is to be made, what warranties are included and any other necessary details, such as whether a permit is required and who will get it, and how disputes will be settled. The consumer should:

1) Always obtain a written contract, if possible. If the job is too small for a contract, the consumer should request an itemized receipt showing the work performed and materials used.

2) Contracts should describe all the work that is to be done and the kinds of materials to be used.

3) The price the consumer is to pay should be settled in advance. A fixed price contract is most advantageous, but if the contractor insists on a "time and materials" agreement, the consumer should insist on having the labor rate and travel time allowance stated in the contract.

4) The prudent consumer will not pay in advance for any contract work. His retention of the payment due on the contract until completion is his best leverage to insure performance.

5) The consumer should obtain the most complete and longest warranty he can on any service work performed. This is especially important where the type of service performed is such that defects may not become immediately apparent.

6) Requirements for permits vary according to the type of work being done and the laws of the local jurisdiction. The consumer should insist on a permit when one is required and

the contract should clearly state whether the consumer or the contractor will obtain it.

7) Arbitration clauses are clauses specifying how any controversy or claim relating to a contract is to be handled. By having one in the contract, the consumer can enforce the specifications and warranties of the contract without the time and expense of a full-scale lawsuit.

f. Contracting for credit usually involves an agreement by the consumer to pay the value of goods delivered or repay a sum of money advanced within a certain period of time and at a certain rate of interest.

1) The Truth in Lending Law requires that in any credit transaction, the annual percentage rate, the total amount to be paid including interest and charges, and the number and amount of payments be clearly stated.

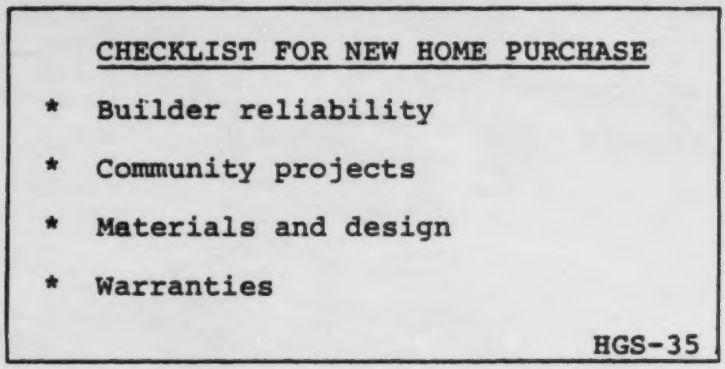
2) Interest rates charged by organizations extending credit vary. The prudent consumer will shop for the best rate of interest and repayment

terms to fit his particular situation. He will also be sure that all terms of the contract are clearly spelled out before signing.

3) Usually if credit is extended for a home improvement, the consumer's home is held as the security. In such instances, the consumer has three business days to cancel the contract.

g. Buying real estate involves a special kind of contracting. Consumers who buy a new home or who buy recreational property should be aware of and try to avoid certain pitfalls.

Show slide HGS-35 Checklist for New Home Purchase



1) The new home buyer should check the reliability of the builder he is considering with the Home Builder's Association, the Better Business Bureau, and the local or state office of consumer affairs. He should also contact the

State Registration Board for Contractors to determine whether or not the contractor is licensed. All contractors who do over $200,000 worth of business per year are required to be licensed by the state board.

a) The contract for a new home should specify which community projects the contractor will be responsible for. The cost of street paving, water and sewer lines, utilities and sidewalks can add considerably to the cost of a house and should not come as a surprise to the consumer.

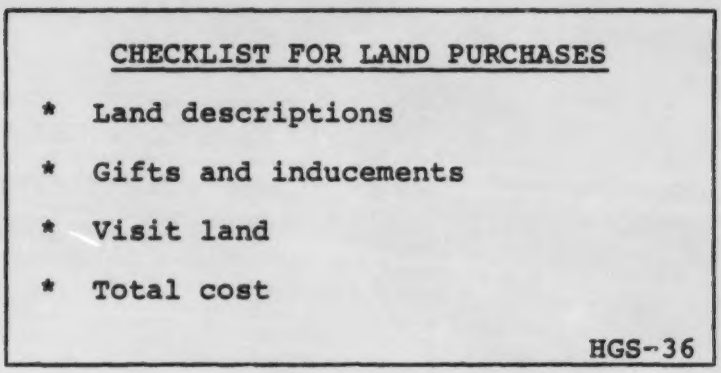
b) Any contract with a home builder should be complete in all details including materials and design, the completion date and the total price.

c) Before closing on the new house, the buyer should obtain the manufacturer's warranties for all the equipment in the house. It is important to determine whether or not the builder is a member of the National Homeowner's Warranty Program (HOW) which gives a homeowner's warranty for coverage

of major construction defects in the house for 10 years.

d) It is customary for the builder to correct minor defects in the house for a specified period of time after delivery. The buyer should not sign any completion certificate until all work is performed to his satisfaction.

Show slide HGS-36 Checklist for Land Purchases



2) Land developers use many methods to entice consumers to buy land. Consumers should:

a) Beware of misleading descriptions of land.

b) Refuse to accept gifts which obligate them to purchase land, but insist on receiving gifts offered in advertisements in which such an obligation is not specified.

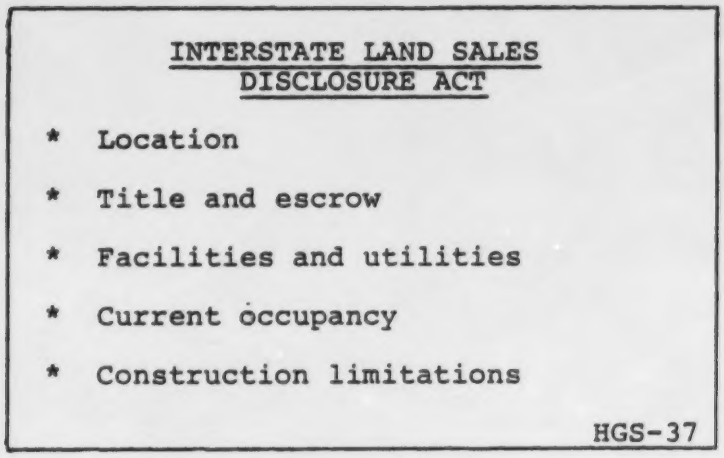
c) Not try to cash negotiable-appearing checks sent through the mail except at the land development site.

d) Resist salesmen who try to pressure the consumer into immediate purchase of land by offering discounts or other inducements.

e) Never buy land without seeing it. Visit and compare several developments if they actually intend to buy land. Be sure the land they are buying is the land they see, not a sample.

f) Familiarize themselves with all the costs involved, including the selling price, assessments, taxes, association fees, and warranties.

Show slide HGS-37
Interstate Land Sales
Disclosure Act



g) Know the Interstate Land Sales Disclosure Act is designed to protect prospective land buyers from unscrupulous developers. Developers who offer fifty or more unimproved lots for sale are required to furnish buyers a property report within forty-eight hours of signing the contract. If the buyer does not receive his report, he can cancel the contract. The property report must contain information on:

(1) Distance to nearby communities.

(2) Liens on the property.

(3) Escrow arrangements.

(4) Availability of recreation facilities.

(5) Availability of sewer and water services or septic tanks and wells.

(6) Present and proposed utility services and charges.

(7) The number of homes currently occupied.

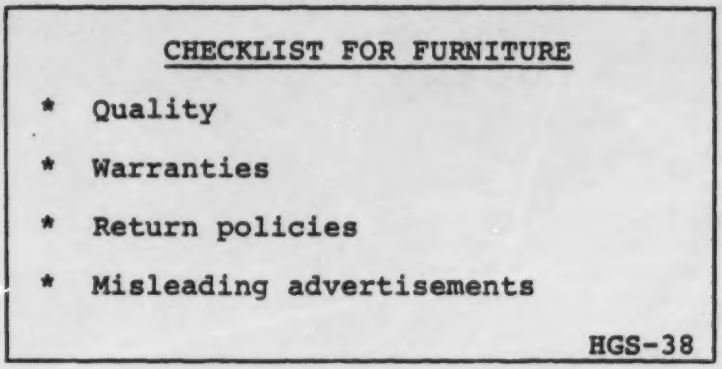
(8) Soil and foundation conditions which could cause problems in construction or in using septic tanks.

(9) The type of title the buyer will receive.

h) Report complaints concerning deceptive or unfair practices in land sale transactions to the land developer or the president of the company first. If no action occurs, the consumer should report the practices to the Office of Interstate Land Sales Registration in Washington, D. C., or the Virginia Office of Consumer Affairs.

i) Be aware that the major responsibility of Housing and Urban Development (HUD) in interstate land registration is to insure accurate property reports. HUD can do little for consumers who find that property isn't being maintained, who want to cancel contracts, etc. HUD enforcement authority permits only the suspension of sales until the property report is corrected.

Show slide HGS-38
Checklist for Furniture



h. Furniture buying is another area in which the prudent consumer can save himself or herself many problems by following rational procedures. Furniture is normally purchased through full service stores, discount stores, or furniture brokers. Some consumers lease furniture from firms which offer lease-buy arrangements.

1) Furniture buyers should first determine the quality of furniture they want and can afford. Often there is very little difference in price between good and poor quality furniture. Comparison shopping in various kinds of stores can give the buyer a good idea of the kind and quality of furniture he can afford.

2) Points to check when comparison shopping are the design, finish, materials and workmanship in

furniture by various manufacturers. The furniture selected should combine the design, finish and materials best suited to the buyer's life style and prospective uses of the furniture.

3) Prudent buyers will check on the warranties provided with furniture they select and determine whether the dealer or the manufacturer will be responsible for repairs, what is covered, and for how long.

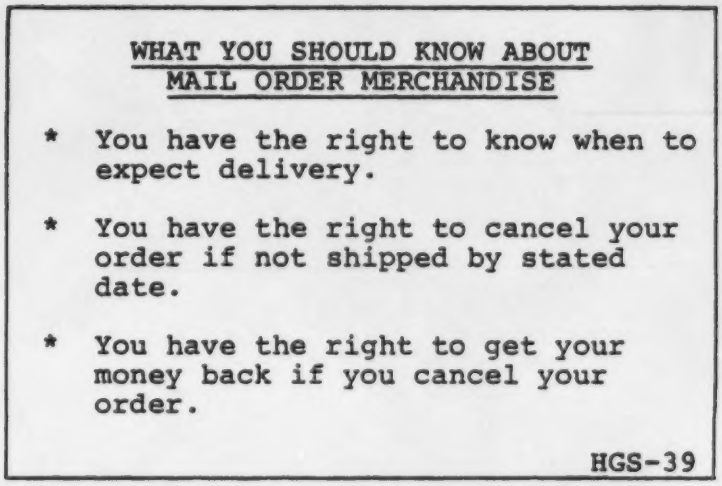
4) The buyer should also check on the return policy of the furniture dealer before he buys. Some dealers may not be willing to make refunds on cancelled lay-away plans or accept returns of undamaged items.

5) Furniture advertisements can be misleading. Consumers should read such ads carefully. In pictorial ads, all items shown may not be included in the group price. Sales prices shown in ads should be checked to see if any comparison price given was the actual price at which the item was regularly offered, or is the price established in the trade area.

6) Complaints regarding furniture dealer practices should be directed to the local office of consumer affairs, the State Office of Consumer Affairs, the Furniture Industry Consumer Action Panel (FICAP), or the Federal Trade Commission.

i. Shopping by mail is convenient and safe if the consumer knows his rights, observes a few simple precautions, is aware of the common kinds of mail order fraud, and knows when to complain if he has a problem.

Show slide HGS-39
What You Should Know About Mail Order Merchandise


WHAT YOU SHOULD KNOW ABOUT
MAIL ORDER MERCHANDISE
* You have the right to know when to expect delivery.
* You have the right to cancel your order if not shipped by stated date.
* You have the right to get your money back if you cancel your order.
HGS-39

1) When a consumer orders an item by mail, he has a right to expect that it will be delivered when promised or within thirty days if no delivery date is given. If the item is not delivered he must be notified

that he may cancel the order and get his money back. If he does not desire to cancel the order, he must be given a cost-free method of notifying the mail order firm of his desires in the matter. These rules do not apply to mail order services such as mail order seeds and growing plants, C.O.D. orders, credit orders where the buyer is not charged before the goods are shipped, negative option sales such as book clubs where the buyer agreed in advance to notify the seller that he does not intend to buy; mail order photo-finishing, and magazine subscriptions and other serial deliveries after the initial shipment.

2) The prudent consumer who orders by mail will check to see that he is getting the best price, that he really understands what he is getting, and that he knows the substance and duration of any warranties on the merchandise ordered. He will keep a record of what was ordered, when it was ordered, the advertisement he selected the item from and copies of

any correspondence with the company. He will make all payments by check or money order. Generally he will not place large orders with companies whose reputations are not known to him without checking on their reliability first. When he receives his order, the consumer should check it immediately to insure that he has received what he ordered in undamaged condition and should report all discrepancies to the company immediately.

Show slide HGS-40
Unordered Merchandise

UNORDERED MERCHANDISE

You may consider it a free gift and keep it without payment.

You do not have to pay for any unsolicited merchandise.

It is illegal for the firm to pressure you to return the merchandise or to send a bill.

LEGAL EXCEPTIONS can be sent through the mails.

Free samples clearly marked as such.

Merchandise from charitable organizations asking for a contribution.

HGS-40

3) The consumer can avoid most mail order fraud if he will check the ads for mail order merchandise or

opportunities carefully so he knows what he is getting and what the real cost will be. He should beware of bait advertising which includes such phrases as "you have won," "only pay one dollar down," and "earn ___ dollars per hour in your own home." He should be especially wary of those which ask for money for any reason and read carefully any offers of accident and health insurance to be sure he needs it and what it actually covers. Customers should be aware that they are in no way obligated to pay for unsolicited merchandise received through the mail. They are at liberty to dispose of the merchandise in any way they see fit provided they have not made a previous written commitment. They should also avoid "negative option plans" wherein they obligate themselves to purchase an item, usually a book, if they do not send in a notice of intent not to purchase.

4) Complaints regarding mail order sales can be most effectively handled through the post office system and the Federal Trade Commission, but

local and state offices of consumer affairs can advise the consumer concerning procedures. The Federal Trade Commission likes to know of complaints, but as a rule, does not act on individual cases. They study trends.

C. Summary and Evaluation

Summary Suggestions

At the end of your presentation you may wish to:

1. Give a general summary.
2. Answer any questions as time allows.
3. Administer a quiz designed to measure the accomplishment of objectives. If a quiz is given, review the answers and explain any areas where there seems to be a marked lack of understanding.
4. If an evaluation form is to be used, it should be distributed and collected at the conclusion of the presentation and questions.

MULTIPLE CHOICE-TRUE/FALSE QUIZ

1. In Virginia it is unlawful to sell dairy products after the pull date.

   a. True
   b. False

2. Bait and switch advertising is a deceptive technique used only by bulk meat retail outlets.

   a. True
   b. False

3. When comparison shopping for products, warranties should be considered as part of the price.

   a. True
   b. False

4. Ad qualifiers, such as limited quantities available, are not allowed under Virginia law.

   a. True
   b. False

5. Retail stores are required, under Virginia law, to make refunds to consumers for items returned.

   a. True
   b. False

6. If a consumer disputes an auto repair charge, which of the following is not permissible.

   a. Write a check, take the car, then stop payment on the check
   b. Attempt to settle the dispute; if unsuccessful, contact the local or state office of consumer affairs.
   c. Contact the Clerk of the Court, post the amount of the repair cost as a bond, secure a warrant for your car and pick up your car, and have the case heard in court.
   d. Make the payment, take the car, and do nothing.

7. Economics is a science that deals with limited resources and unlimited wants.

   a. True
   b. False

8. All used cars purchased from a dealer come with a 30-day warranty.

   a. True
   b. False

9. Which of the following might be considered a major factor affecting the demand for consumer goods?

   a. Price of good to be purchased.
   b. Consumer tastes.
   c. Consumer income.
   d. All of the above.

10. The basic economic role of government is to set market prices for consumer goods.

   a. True
   b. False

11. High levels of unemployment have little effect on changes in the Gross National Product.

   a. True
   b. False

12. Unemployment reduces the production potential of a given country.

   a. True
   b. False

13. Types of structural employment are normal in the operation of the U. S. economy

   a. True
   b. False

14. Increases in government expenditures will cause increases in the money supply.

   a. True
   b. False

15. Informative advertising is primarily designed to create consumer loyalty.

   a. True
   b. False

16. Unit pricing is an excellent guide to consumers.

   a. True
   b. False

17. If a consumer orders an item by mail, unless otherwise specified, he has the right to expect the merchandise in

   a. 15 days
   b. 30 days
   c. 45 days
   d. 60 days

Answers: 1-b, 2-b, 3-a, 4-b, 5-b, 6-a, 7-a, 8-b, 9-b, 10-b, 11-b, 12-a, 13-b, 14-b, 15-b, 16-a, 17-b.

DISCUSSION QUESTIONS

1. Currently auto repair/service complaints comprise 22% of all complaints received in Virginia consumer agencies. What actions do you feel are needed to reduce service problems in the auto industry?

2. The term "licensed" appears in many ads for home, auto, TV, and appliance repair service. What does the term mean to you?

3. As consumers, what is your expectation of the state or local office of consumer affairs in each of the following situations:

   1) Responding to a newspaper ad, you have gone to a store to purchase a specific item and find that it is not available.

   2) You are dissatisfied with an auto repair job.

   3) You visit a firm advertising free radios, but they refuse to give you one under the terms advertised.

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B. Other

Maine State Bureau of Consumer Protection. Down Easter's Lemon Guide. Maine State Bureau of Consumer Protection, State House, Augusta, Maine 04333, Price $1.00.

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Bait and Switch Advertising
Door to Door Sales
Mechanic's Lien
Odometer Law
Referral Sales
Sale of Motor Vehicles by Licensed Dealers
Unsolicited Goods
Untrue, Deceptive or Misleading Advertising
Pyramid Promotional Schemes

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Furniture Buying
Home Buying and Home Remodeling
Mail Order Purchases
Real Estate Land Sales
Retail Stores
TV Purchase and Repair

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